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This single chapter on trade and project financing is excerpted from the 2005 (Fall 2004 Update) Country Commercial Guide for Morocco. The full text of the report is also available on this website.

CHAPTER 8: TRADE AND PROJECT FINANCING

Banking System:

In comparison to the rest of the Arab world and Africa, Morocco continues to develop its relatively comprehensive banking system, originally modeled after the French system. There are 16 banks in the country plus five government-owned specialized financial institutions, about 30 credit agencies and about 12 leasing companies. The bank reform law of 1993 laid out parameters for banking activities, clarified oversight and control responsibilities, specified legal penalties for violations of banking regulations and established a depositors guarantee fund.

Until 1991, credit and money supply was controlled directly by the old French-style "encadrement system" allocating sectoral lending to banks based on historical patterns. Since financial liberalization, credit is to be allocated freely, and the central bank has used indirect methods to control the interest rate and volume of credit. The banking system is still used by the government to channel domestic savings to finance government debt, and the banks are required to hold a part of their assets in bonds paying below market interest rates.

Morocco's banking sector is stronger, and the private sector's role is more active, than in many African countries. The potential in this sector is great, as it is estimated that only 15% of the population uses a bank. Moroccan banks are anxious to work with EXIM and IFC, and also to offer financing to foreigners.

The Casablanca Stock Exchange is the third largest in Africa, after Johannesburg and Cairo. Privatized in 1996, the CSE is managed by 13 brokerage companies and regulated by an independent oversight commission similar to the SEC Foreign Exchange.

Controls Affecting Trading:

Morocco maintains a system of foreign exchange controls managed by the Office des Changes, but the rules on transfers have been progressively liberalized to the point where the dirham is freely convertible according to the IMF definition for current account transactions. The value of the dirham is tied to a basket of hard currencies weighted according to Morocco's foreign trade. Because this basket is dominated by European currencies, variations in the dollar/euro rates are generally reflected in the dirham's dollar value.

Authority to buy and sell foreign exchange has been delegated to the banking system, which will carry out transactions on presentation of appropriate documentation justifying the transaction such as an invoice to pay for imports. Capital transactions require authorization from the Office de Changes, and are routinely granted for business-related transactions. Under the Moroccan investment code, the government

guarantees repatriation of both invested capital and profits, provided that the initial capital investment was filed and registered.

Advance payments to foreign exporters are forbidden under the current regulations.

General Availability of Financing:

Local financing is available for Moroccan investors and importers, but real interest rates are high by American standards. Moroccan banks generally require high collateral.

How to Finance Exports/Methods of Payment:

Most Moroccan imports are paid for by irrevocable confirmed letters of credit issued by local banks through U.S. banks. Domestic end-users are normally given up to 90-day credit by importers.

Types of Available Export Financing and Insurance:

(1) The U.S. Small Business Administration (SBA) has a number of programs targeted toward helping small and medium-sized companies to develop export markets. In particular, SBA offers an export working capital guarantee program whereby SBA will guarantee up to 75% of a bank loan to provide working capital or a line of credit to exporters. This, in turn, can enable exporters to offer more favorable payment terms to their Moroccan buyers or provide working capital while export orders are being manufactured. Contact: U.S. Small Business Administration, Office of International Trade, 409 Third Street, SW, Washington, DC 20416, tel. (202) 205-6720, fax (202) 205-7272, or call 1-800-USA-TRADE for the location of your nearest U.S. Export Assistance Center.

(2) The U.S. Export-Import Bank (EXIM) promotes the export of U.S. goods and services through a variety of loan, guarantee, and insurance programs, all of which are available for transactions in Morocco. EXIM can guarantee U.S. commercial bank financing for U.S. exporters. Its export insurance programs provide insurance coverage against the risk of default on foreign receivables. However, a Moroccan guarantee, either from the government or from a private bank, may also be required. EXIM Bank established four years ago, a small bundling facility (a line of guaranteed credits of \$10 million) with Credit du Maroc, the Moroccan subsidiary of Credit Lyonnais France. Although other Moroccan banks have expressed some interest in this program, they have not overcome the reluctance of Moroccan importers to take on the foreign exchange risk of borrowing in dollars. Contact: Export-Import Bank of the United States, 811 Vermont Ave., NW, Washington, DC 20871; 1-800-565-EXIM (3946); Robert Bosco, International Business Development Officer for North Africa and the Middle East, , Tel: (202) 565-3716; Fax: (202) 565-3931; International Lending fax: (202) 565-3816, or call 1-800-USA-TRADE for the location of your nearest U.S. Export Assistance Center.

(3) The U.S. Trade and Development Agency (TDA) is an independent U.S. government agency that promotes U.S. exports for major development projects in middle-income and developing countries. TDA funds feasibility studies, technical assistance, orientation visits and other project planning services related to major projects. Consulting contracts funded by TDA grants must be awarded to U.S. companies. U.S. involvement in project planning helps position potential U.S. suppliers to take advantage of follow-on contracts when these projects are implemented. TDA has been very active in Morocco in the energy, telecommunications, tourism, railway, chemicals, environmental, port and airport development industries. FCS Morocco works closely with TDA and with Moroccan and U.S. firms to identify potential projects. Contact: U.S. Trade and Development Agency, Leila Afas, Country Manager for Morocco, Room 309 SA-16, Washington, D.C. 20523-1602; Tel: (703) 875-4357; Fax: (703) 875-4009

(4) The Overseas Private Investment Corporation (OPIC) is a self-sustaining, U.S. government agency that encourages U.S. businesses to invest in developing countries and emerging market economies. OPIC's key programs are loan guarantees, direct loans and investment insurance against foreign political risk. Contact: Bruce Cameron, Overseas Private Investment Corporation (OPIC); Tel: (202) 336-8799/ (202) 336- 8700; Fax: (202) 408-9859; 1100 New York Avenue, N.W. Washington, D.C. 20527.

(5) The USDA Credit Guarantee Programs: In FY 2001, \$50 million (GSM-103) was available to Morocco to purchase various agricultural commodities from the US. The GSM-103 line, originally offered to the government, has been made available to Moroccan private sector importers through the BMCI (Banque Marocaine pour le Commerce et l'Industrie) for fiscal year 2001. The list of eligible commodities has been extended to cover, in addition to wheat and feed grains, other commodities such as livestock, cotton, vegetable oil, oilseeds, and planting seeds. The private importers can benefit from up to 6 months financing and the local government supports the exchange risk and the guarantee fee of using GSM-103. For more information, please contact the Office of the Agricultural Affairs in Rabat at (212-3) 776-5987.

Availability of Project Financing:

The principal multilateral financial institutions such as the World Bank, the IFC, the African Development Bank, and the European Investment Bank all lend to Morocco for infrastructure development.

The Commerce Department's office of Multilateral Development Bank Operations (MDBO) provides one-stop shopping services to U.S. firms interested in doing business with the MDBs. Its staff can help U.S. companies get a share of major contracts financed by the multilateral development banks. For more information on any of these services in the U.S., contact MDBO at (202) 482-3399 or fax (202) 273-0927 or the Commercial Service Liaison Staff, Office of the U.S. Executive Director, the World Bank, 1818 H Street NW, Washington DC 20433, USA. Tel: (202) 458-0118/0120, Fax: (202) 477-2967.

The International Finance Corporation (IFC), a private-sector lending arm of the World Bank, has cooperative agreements with Moroccan institutions and can provide services including financing from commercial banks, export credit agencies and other institutions. Contact in Morocco, Joumana Cobein, Country Manager, IFC, 7 rue Larbi Ben Abdellah, Rabat. Tel: (212) 37 63 24 79; Fax: (212) 37 63 60 50

The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank group. Its purpose is to encourage foreign direct investment in developing countries by providing investors with political risk insurance. Like its counterpart OPIC, MIGA provides insurance to cover the risk of currency transfer, expropriation, war, and civil disturbance, and breach of contract by the host government. Morocco is a member of MIGA. Contact: Multilateral Investment Guarantee Agency, 1818 H Street, NW, Washington, DC 20433, and Guarantees Dept. Tel: (202) 473-6168.

Types of Projects Receiving Financing Support:

Law and Justice and Urban Development

Asset Management Reform Loan: The goal of this project is to promote efficiency in public expenditures, by helping rationalize investment, maintenance and rehabilitation expenditures in education and health, and improve public asset management, in line with the objectives of the Country Assistance Strategy (CAS) for expenditure rationalization, long-term fiscal sustainability, and improved service delivery in the social sectors. Environmental Category C. PID P005516. US \$50.00. US\$45 IBRD commitment. Ministry of Finance and Privatization, *Direction des Domaines*, Tel: (212) 037-77-92- 91, Fax: (212) 037-77-92-82.

Rural Development

Irrigation Based Community Development: This project will seek to improve the incomes and quality of life in rural communities by centering attention on small and medium irrigation (SMI) projects in 15 provinces over a 13-year period. The main focus will be on demand-driven, coordinated investments in SMI rehabilitation and improvement and complementary community infrastructure, including rural roads, water supply/sanitation, electrification, health, and education facilities. Environment Category B. PID P056978. US\$42.2. US \$32.57 IBRD commitment. Ministry of Agriculture, Rural Development, Water and Forests, Tel: (212) 37 29 99 45, Fax: (212) 37 69 84 34.

Rain Fed Agriculture Development: The objective of the project is to promote sustainable agricultural development in rain fed areas that will help reduce the ruralurban gap. To this end, the proposed project would have the following specific objectives: (a) to build institutional capacity in rain fed areas for project identification and implementation in partnership with local organizations; (b) to improve the livelihoods and incomes of the local population in four priority areas; and (c) to reduce the vulnerability of the production systems to drought. Approved by the Executive Directors on 10 June 2003 the project will be closed on December 31, 2009. Loan signing was held in late October 2003. Environmental Assessment Category B. PID: 69124. US\$ 45.0 (IBRD). Consulting services to be determined. Ministry of Agriculture, Rural Development, Water and Forests, Tel: (212) 37 29 99 45, Fax: (212) 37 69 84 34, Contact: M. Benmakhlouf, Director of Land Development

Tourism

Historical Centers Revitalization - Meknes: The objective of the project is to revitalize the historical city of Meknes focusing on conservation of main monuments and public spaces, housing maintenance, urban infrastructure rehabilitation, improvements to the city's productive commercial areas, support to handicraft production and marketing, social development, and promotion of cultural tourism. The project will also support a long-term strategy for the revitalization of other historic centers. Project preparation is scheduled to start in *January 2004*. Environmental Assessment Category B. PID: 76921. *US\$ 40.0 (IBRD)*. Consultants will be required during preparation to carry out technical and institutional studies. Wilaya of Meknes-Tafillalt, Tel: (212-37) 555-1271, Fax: (212- 37) 555-10064, Contact: Mr. El Mansouri, Délégué Régional de l'Aménagement du Territoire; Ministry of Housing, Culture and Tourism, c/o Ministère des Affaires Economiques et Generales et de Mise a Niveau de l'Economie, Nouveau Quartier Administratif, Rabat, Morocco, Tel: (212-37) 687-316, Fax: (212-37) 774-287, E-mail: hillali@affaires-generales.gov.ma, Contact: M. Mohammed Hillali; City of Meknes

List of Moroccan Banks with Correspondent International Banking Arrangements:

(1) American:

Banque Marocaine du Commerce Extérieur

Banque Centrale Populaire

Banque Commerciale du Maroc

Wafabank

(2) European/Other:

Banque Marocaine du Commerce et de l'Industrie

Credit du Maroc

Société Générale Marocaine de Banques

(3) American Bank with Moroccan Branch:

Citibank Morocco

Please Note: Country Commercial Guides are available to U.S. exporters on the website: <http://www.export.gov>. They can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

U.S. exporters seeking further recommendations for trade promotion opportunities in Morocco and country-specific commercial information may also wish to visit the website of the U.S. Commercial Service in Morocco at www.buyusa.gov/morocco.

Travelers may wish to obtain the most recent travel advisory from the U.S. Department of State at www.state.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to one of the following websites: www.usatrade.gov or www.tradeinfo.doc.gov

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